

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 6067

C O N F I D E N T I A L JAKARTA 10354

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: OI-PETROMER TREND SITUATION

REF: JAKARTA 10163

1. I WAS VISITED BY PETROMER TREND PRESIDENT JIM WILSON AUGUST 5 FOR DISCUSSION ON TREND'S SITUATION WITH GOI. WILSON INDICATED HE FELT HE SHOULD RETURN TO INDONESIA AS RESULT NEWS STORIES IN US AS WELL AS REPORTS FROM PETROMER TREND'S JAKARTA OFFICE, ALL OF WHICH PORTRAITED TREND'S POSITION AS SERIOUS. HE SAID HE WAS VERY CONCERNED BUT HE FELT THAT THE "DOOR WAS STILL OPEN" FOR CONTINUED DISCUSSIONS WITH PERTAMINA. WILSON INFORMED ME THAT HE AND LOCAL RESIDENT MANAGER WERE MEETING WITH PERTAMINA PRESIDENT HARYONO LATER THAT AFTERNOON AND WANTED TO DISCUSS MATTER WITH US FIRST.

2. WILSON OPENED CONVERSATION BY STRESSING CONCERN OF SHAREHOLDERS, THREE OF WHOM ARE NON-US COMPANIES (EURAFREP, FRENCH; C. ITOH, JAPAN; BANQUE DE PARIS ET DES PAYS BAS, SWISS), OVER PRESENT SITUATION. HE NOTED THAT IT HAD
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APPEARED TO HIM THAT LEVEL OF SUPPORT FROM USG WAS

LESS THAN THAT PROVIDED BY JAPANESE AND FRENCH GOVERNMENTS. I OUTLINED FOR HIM OUR ROLE TO DATE AND POINTED OUT THAT WE HAD KEPT IN CONSTANT TOUCH WITH INDONESIAN GOVERNMENT. AS FAR AS WE KNEW, NEITHER THE JAPANESE NOR FRENCH HAD MADE ANY HIGH-LEVEL APPROACHES. (I SUBSEQUENTLY LEARNED THAT EACH HAD FILED AIDES MEMOIRE WITH MINISTER SADLI; LATTER, HOWEVER, TOLD ME SUCH ACTION "WAS NOT HELPFUL." WE NOTED OTHER EMBASSIES WERE COMING TO US FOR ADVICE. WILSON ALSO BROUGHT UP USE OF AMERICAN AID AS LEVER IN CURRENT NEGOTIATIONS, SAYING HIS LAWYERS HAD LOOKED AT CERTAIN CONGRESSIONAL STATUTES AND THEIR POSSIBLE APPLICATION. I DISABUSED HIM OF THIS VIEW AND OUTLINED MECHANICS OF HICKENLOOPER AND GONZALVES AMENDMENTS, NEITHER OF WHICH HAD ANY CURRENT APPLICATION IN THIS SITUATION.

3. WILSON SAID SHAREHOLDERS' IMMEDIATE CONCERN WAS PROTECTION OF THEIR EQUITY. HE EXPLAINED THAT SHAREHOLDERS HAD AUTHORIZED WILSON TO MAKE ADDITIONAL PAYMENT OF \$36 MILLION ON BASIS NEW TERMS TO GOI ONLY IF IT DID NOT RESULT IN NEGATIVE CASH FLOW POSITION. WILSON SAID COMPANY WOULD NEED TIME TO RAISE THIS CAPITAL AND HOPED GOI WOULD ALLOW THEM GRACE PERIOD TO RAISE MONEY, PART OF WHICH MIGHT HAVE TO COME OUT OF COMPANY'S PROFIT OIL.

4. WE SHARED WITH WILSON PERTINENT PARTS OF OUR CONVERSATION WITH SADLI AND HARYONO AUGUST 2 THAT APPLIED TO TREND (REFTEL). WE STATED OUR IMPRESSION THAT GOI DID NOT WISH CONFRONTATION AND WAS WILLING TO RE-ENTER INTO DISCUSSIONS. WE CITED CALTEX AND JAPEX SITUATIONS WHERE COMPANIES WERE GIVEN MORE TIME TO FINALIZE ARRANGEMENTS IN RETURN FOR INITIAL EXPRESSION OF AGREEMENT IN PRINCIPLE. WILSON TOOK NOTE OF THIS AND ACKNOWLEDGED THAT PREVIOUS COMMUNICATION BETWEEN COMPANY AND GOI HAD NOT BEEN THE BEST. HE INDICATED THAT TREND WILLING TO AGREE TO NEW TERMS IF GOI WILL ALLOW THEM STRETCHED-OUT PAYMENTS SCHEDULE SO THAT COMPANY DOES NOT INCUR NEGATIVE CASH FLOW POSITION.

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5. LATER THAT AFTERNOON, EMBOFF SPOKE WITH TREND'S JAKARTA RESIDENT MANAGER HOWARD SCHLEIMAN FOR BRIEFING ON OUTCOME OF MEETING WITH HARYONO. HARYONO REASSURED WILSON THAT GOI NOT CONTEMPLATING NATIONALIZATION AND INDICATED THAT TREND'S PRESENCE WAS NEEDED FOR DEVELOPMENT OF PETROLEUM RESOURCES IN IRIAN JAYA. GEN. HARYONO SEEMED SYMPATHETIC TO TREND'S PAYMENTS PROBLEM; HOWEVER, HE TOLD TREND HIS INSTRUCTIONS

CALLED FOR ALL PAYMENTS TO BE COLLECTED BY MARCH 31, 1977. TREND TOLD HARYONO THAT THEY NEEDED AT LEAST UNTIL SEPTEMBER. HARYONO ASKED WILSON TO PREPARE SIDE LETTER WHICH WOULD SPELL OUT THESE CONCERNS; HE WOULD ATTEMPT TO SELL THIS TO GOVERNMENT. HARYONO SAID SIDE LETTER WOULD BE USED TO AMEND ORIGINAL LETTER OF ACCEPTANCE WHICH HE ASKED COMPANY TO SIGN NO LATER THAN AUGUST 7. HARYONO TOLD TREND THAT THEIR CLASSIFICATION AS GROUP TWO CONTRACTOR COULD BE REVIEWED FOR NEXT YEAR; COMPANY SHOULD APPOINT THIRD PARTY CONSULTANT WITH "BANKABLE REPUTATION" TO REVIEW RESERVE FIGURES. SCHLEIMAN SAID COMPANY NOW MORE OPTIMISTIC ABOUT CHANCES OF AGREEMENT. WHETHER OR NOT THEY CAN SIGN BY SATURDAY REMAINS TO BE SEEN AT THIS POINT BUT AT LEAST COMPANY FEELS THEY HAVE DEFUSED SOME OF THE TENSION BETWEEN THEMSELVES AND GOI.

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